

Message Text

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ACTION EUR-25

INFO OCT-01 EA-11 ISO-00 AID-20 CEA-02 CIAE-00 COME-00

EB-11 FRB-02 INR-10 NSAE-00 RSC-01 CIEP-02 SPC-03

STR-08 TRSE-00 LAB-06 SIL-01 OMB-01 EURE-00 ACDA-19

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INFO AEC GERMANTOWN PRIORITY 925

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY MOSCOW

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

C O N F I D E N T I A L EC BRUSSELS 5988

E.O. 11652: GDS

TAGS: OCON, EEC, ENRG, US

SUBJECT: OCTOBER 29-31- US-EC CONSULTATIONS AND SOAMES VISIT:

ENERGY - URANIUM ENRICHMENT

REF: EC BRUSSELS 5974

1. SUMMARY. IN LIGHT OF URANIUM ENRICHMENT DEVELOPMENTS
OVER THE LAST SIX MONTHS, THE MISSION SUGGESTS THAT THIS TOPIC
BE INCLUDED IN THE SOAMES/CASEY ENERGY DISCUSSIONS AND
SUMMARIZES PERTINENT CONSIDERATIONS FOR POSSIBLE USE BY THE
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US SIDE. END SUMMARY.

2. THE USAEC POLICY FOR ENRICHMENT SERVICES HAS SIGNIFICANTLY CHANGED SINCE THE LAST SOAMES/CASEY MEETING. IT IS NOW VERY LIKELY THAT EUROPE WILL ESTABLISH ITS OWN URANIUM ENRICHMENT CAPACITY SUFFICIENT TO SATISFY MORE THAN HALF AND POSSIBLY AS MUCH AS 80 PERCENT OF ITS REQUIREMENTS IN THE EARLY 1980'S.

3. THE CAPACITY OF PRESENT U.S. ENRICHMENT PLANTS IS EXPECTED TO BE FULLY COMMITTED BY THE FALL OF 1974 FOR PROJECTED DOMESTIC AND FOREIGN DEMANDS THROUGH 1983. CONSTRUCTION OF NEW U.S. PLANTS WILL BE STARTED BY ABOUT 1976 FOR FULL SCALE OPERATION IN 1983. IN EUROPE, URENCO (GERMAN, UK, AND DUTCH GAS CENTRIFUGE GROUP) HAS ANNOUNCED PLANS TO ESTABLISH A PRODUCTION PLANT AND EURODIF (THE FRENCH-LED GASEOUS DIFFUSION GROUP) IS MOVING TOWARD AN EARLY DECISION TO DO LIKEWISE. AN EC ENRICHMENT COMMITTEE IS DEVELOPING RECOMMENDATIONS ON A POSSIBLE COMMUNITY-WIDE APPROACH AS WELL.

4. THERE ARE ALSO OTHER SERIOUS EFFORTS ELSEWHERE TO DEVELOP THE CAPACITY TO PRODUCE ENRICHED URANIUM. THESE INCLUDE THAT OF BRINCO IN CANADA AND ANOTHER EFFORT IN SOUTH AFRICA.

5. IN ADDITION, JAPAN IS BEING EAGERLY SOUGHT AS A PARTNER, AND THEREBY CUSTOMER, BY ALL GROUPS.

6. THE VERY LARGE CAPITAL INVESTMENT INVOLVED IN ESTABLISHING ENRICHMENT PLANTS MAKES THE TIMING AND SIZE OF ANY NEW CAPACITY CRITICAL TO ASSURE DEMANDS ARE MET, WHILE AT THE SAME TIME AVOIDING CONSTRUCTION OF EXCESS CAPACITY.

7. THE EMERGENCE OF THE USSR AS A SERIOUS SUPPLIER OF ENRICHMENT SERVICES, AT LEAST IN THE NEAR-AND MID-TERM, MUST BE FACTORED INTO U.S. AND EUROPEAN PLANS. THE PURCHASE OF ENRICHMENT SERVICES FROM THE SOVIETS BY EC UTILITIES, IN SOME CASES WITH EC COMMISSION COOPERATION, HAS ALREADY OCCURRED. THE EXTENT OF THE USSR CAPACITY OR OF THE QUANTITIES EC COUNTRIES ARE WILLING TO PURCHASE FROM THE USSR IS UNKNOWN.

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8. SOME STOCKPILING OF ENRICHED URANIUM BY JAPAN AND GERMANY IS OCCURRING. THIS MAY BE A MOVE TO TRADE U.S. DOLLARS FOR A COMMODITY THAT IS EXPECTED TO HAVE A RELATIVELY STABLE VALUE. SUCH STOCKPILE OF ENRICHED URANIUM COULD, IN THE FUTURE, SERVE FOREIGN NUCLEAR POWER PLANT SUPPLIERS

WITH A FUEL SOURCE IN COMPETITION WITH U.S. MANUFACTURERS.

9. AN INTERESTING CONCERN EXPRESSED BY ONE EUROPEAN SOURCE IS THAT THE PRINCIPAL URANIUM RAW MATERIAL PRODUCING COUNTRIES (I.E., CANADA, SOUTH AFRICA, AND THE U.S.) COULD REACT AGAINST COMMITMENTS TO PURE NATIONAL SOURCES OF ENRICHING SERVICES BY TYING THE SUPPLY OF THE URANIUM RAW MATERIAL TO ENRICHMENT SERVICES.

10. IN THE MONTHS AHEAD, EC UTILITIES, MEMBER STATES, AND TO SOME EXTENT THE EC COMMISSION, WILL BE MAKING IMPORTANT DECISIONS IN THIS FIELD. THE IMPORTANCE OF URANIUM ENRICHMENT SERVICES TO THE U.S. BALANCE OF PAYMENTS WARRANTS DISCUSSION OF THIS TOPIC WITH THE EC AT THE POLITICAL LEVEL. THE CASEY/SOAMES CONSULTATIONS PROVIDE AN APPROPRIATE AND EARLY OPPORTUNITY TO DO THIS, PARTICULARLY TO ASSURE THAT THE EC AVOIDS TAKING ACTIONS THAT WOULD PRECLUDE THE U.S. FROM COMPETING FOR SOME PORTION OF THE EUROPEAN MARKET. IN ADDITION, IT IS ALSO IMPORTANT TO COORDINATE OUR PLANS, TO THE MAXIMUM EXTENT FEASIBLE, TO AVOID CONSTRUCTION OF EXCESS CAPACITY.

11. A DIFFICULT ISSUE, IF THIS SUBJECT IS DISCUSSED, IS THE QUESTION OF FOREIGN ACCESS TO U.S. CLASSIFIED INFORMATION ON ENRICHMENT TECHNOLOGY--PARTICULARLY GAS CENTRIFUGE TECHNOLOGY. THIS IS A MAJOR U.S. BARGAINING CHIP, BUT WE RECOGNIZE THAT IT ENTAILS SENSITIVE NATIONAL SECURITY AND CONGRESSIONAL CONSIDERATIONS THAT WILL TAKE TIME TO RESOLVE.
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